

China's WTO Accession and American Agriculture

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Good morning. Thank you, Secretary Daley; thank you Mary Beth. Let me also thank and give special recognition to Congressmen Stenholm and Combest not only for appearing today, but for the guidance and advice they have given us throughout our WTO negotiations with China. The quality of its agricultural commitments is in large part a tribute to the support Members of Congress have given us, and to the pressure Members have put on China over the past years.

Most of all, of course, thanks to each of you here today, for coming here today and for your commitment to the success of China's accession to the WTO. I am going to take just a few minutes to give you a status report on the WTO negotiations: the place of our bilateral agreement in the broader process of China's WTO accession; the work which remains for China in its negotiations with other leading WTO members; and the importance of permanent NTR to American farmers and ranchers.

WTO ACCESSION IN CONTEXT

Let me begin, by putting the technical issues in some broader context.

In one sense, our support for China's WTO accession is an element of our broader strategy for peace and security in the Pacific. In this sense, it represents our commitment to a stable and long-term relationship with Asia's largest country and fastest-growing economy: one in which we assert our values and interests when we differ, but also find and act on areas of mutual interest and benefit.

In another sense, it represents our support for reform and liberalization within China. With WTO accession, China adopts specific, enforceable commitments that together represent open markets, economic freedom, and the rule of law. These are elements of an open society, which were smashed in the years after the communist revolution and which post-Mao reforms have only partially rebuilt. And that is why many Hong Kong and Chinese activists for democracy and human rights see the WTO accession as the most important reform measure in the past twenty years.

But while it has these very profound implications, the WTO accession is bottom a trade agreement. It will open China's market -- 1.2 billion people, and the world's third-largest economy -- in a way we have not seen since the 1920s. It will thus help Americans find new

opportunities for jobs, growth, and fair trade; and no-one more so than American farmers and ranchers.

WTO ACCESSION AND AMERICAN AGRICULTURE

Secretary Glickman will offer a broad look at the implications of this accession for American agriculture. Let me therefore simply give a general description of the bilateral agreement we concluded last November.

Overall, it represents a comprehensive set of trade commitments. It covers agriculture, manufacturing, and services industries such as telecommunications, finance, the professions and others. It includes a product-specific safeguard in the event of import surges, an agreement to continue using “non-market economy” dumping methodologies for fifteen years, and much more. In every case, the commitments are specific and enforceable; will be implemented rapidly; and hold China to the same standard we expect of all new WTO members.

With respect to agriculture in particular, we will open China’s market for all commodities of significant export interest to us, and address a range of broader policy issues of concern to American producers. To review the results briefly:

- China will make significant cuts in tariffs, and complete them by January 2004. In the commodities of top concern to the United States – everything from beef and pork to citrus, processed foods, wine and dairy – tariffs will fall from an average of 31% to 14%.
- China will set up a tariff-rate quota system for bulk commodities like wheat, corn, cotton, barley, and rice. To give you just one example, China imported 2 million tons of wheat last year, and will set up a TRQ of 7.3 million tons immediately on entering the WTO. This will ultimately rise to over 9.6 million tons. The agreement gives a share of the TRQ to private traders, and has specific rules for TRQ operations and transparency.
- China will guarantee the right to import and distribute products without going through a state-trading enterprise or middle-man. Thus we can sell high-quality beef directly to hotels on the coast, or wheat to Chinese mills.
- And China has agreed to eliminate SPS barriers that are not based on scientific evidence and no export subsidies on agricultural products. We took, as some of you know, a very significant step forward in this area last month, when a Chinese team began its visit to California, Arizona, Texas and Florida to begin implementing the agreement which abolishes unscientific restrictions for citrus.

Thus our bilateral agreement addresses the full web of trade barriers in the China market: barriers at the border, unfair restrictions on marketing within China, and unscientific inspection standards. As it goes into effect, a fifth of the world population – now largely blocked from buying our agricultural goods – will become a new market for farmers, ranchers and food companies all over the United States.

WORK REMAINING

But the work is not yet done. And in my remaining time I would like to outline for you the tasks which remain before us.

First, China must complete bilateral market access agreements, like the one we reached in November, with a number of other WTO members. In addition to the United States, China has reached agreement with Japan, Canada, Australia, Brazil and some smaller countries. It must do the same with the European Union, India, Switzerland, Argentina, Chile, and a number of other WTO members.

Obviously we cannot offer a precise date for the completion of this work. Others are doing the negotiating and will do so at their own pace. The EU has made some progress, but still has some negotiations ahead. The others have far fewer issues to resolve with China, and may be able to act relatively rapidly.

Second, together with these bilateral agreements, China must complete a multilateral negotiation at the WTO to draft a “Protocol” and a “Working Party Report.” These negotiations principally cover the commitments China makes regarding WTO rules including on subsidies, technical standards, a mechanism to review implementation, and other issues. We will work to push this ahead as rapidly as possible when China concludes its bilateral market access agreements. However, of course, it is a multilateral process which involves all interested WTO members and we cannot dictate the pace of progress.

Once these parts of the package are complete, the Working Party forwards it to the WTO General Council for final action. China must then complete the steps required under its law to become a WTO Member.

PERMANENT NTR

Third, while no changes to U.S. law or import policies need to be made for China to become a WTO Member, we risk losing the full benefits of the agreement we negotiated if we do not grant China permanent Normal Trade Relations.

If Congress were to refuse to grant permanent NTR – that is, to make the current tariffs on Chinese products permanent – our Asian, Latin and European competitors will reap these benefits but American farmers, ranchers and other businesses may well be left behind. And it is unacceptable for American producers to face a situation in which competitors from dozens of other countries – from Argentina and Canada to Europe and Australia – have a built-in advantage in the world’s largest nation. The short-term cost to farm incomes would be substantial, and the implications for long-term sales relationships still more profound.

CONCLUSION

China’s WTO accession is, therefore, a critical issue of incomes and livelihoods for

America's farm families. That is reason enough to support it. But in a larger sense, it is also a test of statesmanship for our country.

We have areas of profound political and moral disagreement with the Chinese government. These cannot be evaded, and the WTO accession will not solve them all. Yet it will help us to address some of them.

- As it opens markets and opportunities for Americans, WTO accession will also offer China's people greater freedom and opportunity in daily life.
- It will help China to strengthen the rule of law, which is the basis of decent government and lasting reform.
- And in our relationship with the world's largest country, it will set a pattern by which we, as we assert our own interests and values when we differ with China, also act upon mutual interests and shared benefits.

And that in turn will give our people, and the world, a strengthened hope not only for prosperity but for peace.

Thank you very much. Let me now return the platform to Secretary Daley.